

**2007 DRAFTING REQUEST****Senate Amendment (SA-SSA1-SB40)**Received: **06/21/2007**Received By: **jkreye**Wanted: **As time permits**

Identical to LRB:

For: **Legislative Fiscal Bureau**By/Representing: **Olin (FA)**This file may be shown to any legislator: **NO**Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Shared Revenue**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to: **joseph.kreye@legis.wisconsin.gov**

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**Pre Topic:**

LFB:.....Olin (FA) -

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**Topic:**

Municipal aid for loss of manufacturing tax base

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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	jkreye 06/22/2007	lkunkel 06/22/2007	rschluet 06/22/2007	_____	cduerst 06/22/2007		
	jkreye 06/25/2007	kfollett 06/25/2007		_____			
/2			natzke 06/25/2007	_____	cduerst 06/25/2007		

FE Sent For:

<END>

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/1	jkreye 06/22/2007	lkunkel 06/22/2007	rschlue 06/22/2007	_____	cdue 06/22/2007		
		12/5f 6/25	nwn 6/25	nwn/rog 6/25			

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&lt;END&gt;

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/1	jkreye	1/1mk 6/22					

FE Sent For:

<END>

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Document saved in this folder: s:\lfb share\summary\

1. MUNICIPAL AID FOR LOSS OF MANUFACTURING TAX  
BASE

Chg. to JFC	
GPR	\$0

**Senate:** Create a one-time aid payment in 2008-09 for municipalities with manufacturing tax base reductions. Provide payments to municipalities that meet three eligibility criteria: (a) the value of taxable manufacturing personal property and real estate equaled at least 3.2% of the municipality's total equalized value in 2005; (b) the taxable full value of manufacturing personal property and real estate, combined, declined by at least 2.0% between 2005 and 2006; and (c) the municipality had a 2005(06) full value tax rate for municipal purposes of at least one mill. Calculate the aid payment to each eligible municipality by subtracting the combined value of manufacturing personal property and real estate in 2006 from the combined value of manufacturing personal property and real estate in 2005, and multiplying the difference by the municipality's 2005(06) full value tax rate for municipal purposes. Pay 15% of each payment in July and the balance of the payment in November of 2008. Fund the payments from the municipal aid account appropriation by reducing the payment in 2008 to each municipality that would otherwise be made from that appropriation by a uniform percentage. Calculate the uniform percentage by dividing the sum of all payments for manufacturing tax base reductions to eligible municipalities by the total distribution for 2008 to all municipalities under the county and municipal aid program. Direct the Department of Revenue to calculate and make payments under this provision using applicable procedures authorized under current law provisions for the county and municipal aid program. It is estimated that this provision would result in aid payments to 74 municipalities totaling \$1.3 million. This would reduce county and municipal aid payments by an estimated 0.2% compared to the amounts under the substitute amendment.

Joe -

Change to JFC Funding Positions	
GPR	-\$~ ~

the Senate addition  
we spoke about earlier  
today. Please draft for  
inclusion in the Dem. amendment -  
Rick



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 5, 2007

TO: Senator Julie Lassa  
Room 323 South, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Municipal Aid Proposal Related to Loss of Manufacturing Tax Base

At your request, this memorandum provides information on a proposal to provide state aid to compensate selected municipalities for tax base loss related to manufacturing properties.

The proposal is loosely based on a program that previously operated. In 1989 Wisconsin Act 31, the Legislature created a program to compensate municipalities for manufacturing tax base loss. The Act provided a one-time aid payment in 1989 to municipalities that met three criteria. First, the municipality had experienced a decrease of 10% or more in the value of taxable manufacturing property from 1974 to 1988. Second, the municipality had a 1988(89) tax rate greater than the statewide average tax rate for that year. Third, the value of manufacturing property exceeded 5.0% of the municipality's total taxable value in 1974. Funding for the program was set at \$1.0 million, and payments to qualifying municipalities were in proportion to their loss of manufacturing value from 1974 to 1988. The program was sunset in 1990 after the initial year's aid payments.

The proposed aid program is based on three factors that would be employed as eligibility criteria:

- municipal purpose tax rates;
- manufacturing value as a percent of total tax base; and
- percentage of manufacturing tax base lost on a year-to-year basis.

Aid payments for eligible municipalities would be calculated by multiplying the municipality's local purpose tax rate by the change in the municipality's manufacturing tax base, consisting of real and personal property, between the two most recent years. For example, a municipality's 2007 aid payment would be calculated by multiplying its 2005(06) municipal purpose tax rate by the reduction in its manufacturing tax base between 2005 and 2006. The aid would equal the taxes on

the lost value. The following example illustrates how the aid for 2007 would be calculated for the City of Wisconsin Rapids.

$(2005 \text{ Manufacturing Value} - 2006 \text{ Manufacturing Value}) \times 2005(06) \text{ Municipal Tax Rate}$

$(\$147,206,200 - \$127,288,100) \times 0.0105664$

$\$19,918,100 \times 0.0105664 = \$210,463$

Three options related to the eligibility criteria are provided for your consideration. These options would affect the number of municipalities eligible for payments and the proposal's total cost. In each option, a reduction of at least 2.0% in the municipality's manufacturing tax base would be required between the two years preceding the aid payment. The first option would require a municipal purpose tax rate of at least one mill (0.001 or \$1.00 for each \$1,000 of taxable value) in the year that is two years before the aid payment and manufacturing value that represented at least 3.2% of the municipality's total tax base in the year that is two years before the aid payment. In 2005, manufacturing real and personal property represented 3.2% of total statewide taxable value. Under these criteria, 74 municipalities would qualify for aid payments totaling \$1,334,625 in 2007. The attached table identifies these municipalities and their estimated aid payments, as well as their eligibility factors.

A second option would replace the one mill tax rate test with a requirement that each municipality's tax rate must exceed the statewide average tax rate for all municipalities. In 2005(06), the average municipal purpose tax rate was 4.87 mills (0.00487 or \$4.87 for each \$1,000 of taxable value). This option would reduce the number of eligible municipalities from 74 to 47 and decrease estimated aid payments to \$1,201,898. Thus, 27 of the original 74 municipalities had 2005(06) tax rates below 4.87 mills.

A third option would employ both the higher tax rate threshold and also increase the required percentage of manufacturing tax base from 3.2% to 5.0%. This option would reduce the number of eligible municipalities to 35 and result in aid payments totaling an estimated \$896,554. Thus, 12 of the 47 municipalities in the preceding option had a 2005 manufacturing tax base percentage between 3.2% and 5.0%. An additional eight municipalities from the original 74 had manufacturing tax base percentages below 5.0%, but were excluded under the second option that increased the municipal purpose tax rate criteria from 1.00 mill to 4.87 mills.

In the attached table, the 39 municipalities with a tax rate below 4.87 mills or a manufacturing tax base percentage below 5.0%, or both, have those eligibility criteria displayed in bold typeface.

Finally, it should be noted that the preceding material anticipates that aid payments would occur in 2007. However, municipalities have already set their 2007 budgets and corresponding property tax levies. Therefore, it may be preferable to delay initial aid payments until 2008. If payments are delayed until 2008, the payments could comprise the "first draw" on the \$15.0 million

county and municipal aid increase proposed in the Governor's 2007-09 biennial budget bill, or the payments could be funded separately. If the payments are delayed until 2008, a decision would be needed regarding which years should be employed for the data elements used to determine eligibility and to calculate payments. If the years for the data elements are advanced, eligibility and payments amounts would differ from those described in this memorandum.

If you have any questions on this information, please let me know.

RO/lah

Attachment

10.9%  
reduc to  
mu share  
of Gov's <sup>(\$12,256,846)</sup>  
increase (\$15m)



# ATTACHMENT

## Estimated State Aid Under Manufacturing Tax Base Loss Proposal

<u>Municipality</u>	<u>County</u>	<u>2005(06) Municipal Tax Rate Per \$1,000*</u>	<u>Manufacturing as a Percent of 2005 Tax Base*</u>	<u>2005 to 2006 Manufacturing Value Change</u>	<u>Estimated State Aid Under Proposal</u>
V. Friendship	Adams	\$4.11	7.1%	-3.1%	\$237
C. Barron	Barron	8.48	10.5	-32.3	38,256
T. Holland	Brown	2.99	3.4	-3.5	356
C. De Pere	Brown	4.48	7.2	-13.4	70,733
C. Green Bay	Brown	7.56	7.1	-6.4	203,819
V. Stockbridge	Calumet	3.65	4.0	-4.9	435
C. Brillion	Calumet	8.32	15.7	-15.7	32,823
C. New Holstein	Calumet	7.94	6.0	-9.9	7,866
C. Chippewa Falls	Chippewa	7.84	11.4	-3.6	22,741
T. Lynn	Clark	2.90	4.8	-2.3	102
V. Curtiss	Clark	9.88	19.1	-3.0	667
C. Abbotsford	Clark	6.74	11.3	-7.4	5,245
T. Randolph	Columbia	1.75	25.2	-21.3	6,357
C. Prairie Du Chien	Crawford	7.10	9.1	-7.3	15,097
V. Deerfield	Dane	5.34	9.7	-3.2	2,468
C. Stoughton	Dane	6.89	4.3	-4.5	11,415
T. Emmet	Dodge	2.05	7.0	-8.0	1,065
T. Leroy	Dodge	4.00	6.0	-3.0	482
V. Hustisford	Dodge	6.87	7.8	-2.5	857
C. Beaver Dam	Dodge	7.91	5.1	-3.5	12,632
C. Sturgeon Bay	Door	6.91	4.3	-12.5	29,029
V. Fall Creek	Eau Claire	7.08	3.5	-11.3	1,601
C. Eau Claire	Eau Claire	7.12	4.2	-2.4	27,167
T. Forest	Fond du Lac	1.69	4.0	-3.3	176
V. Oakfield	Fond du Lac	8.21	10.1	-2.9	1,365
V. Monticello	Green	4.31	3.5	-2.1	197
C. Fort Atkinson	Jefferson	7.18	7.5	-2.5	10,552
C. Algoma	Kewaunee	8.56	5.2	-3.2	2,269
T. Bangor	La Crosse	2.41	10.4	-4.9	466
V. Argyle	Lafayette	3.22	5.4	-53.0	2,838
V. Belmont	Lafayette	4.63	11.1	-9.7	2,147
C. Merrill	Lincoln	10.91	9.7	-15.4	63,333
V. Valders	Manitowoc	4.67	13.8	-13.0	4,326
V. Brokaw	Marathon	6.02	61.1	-7.9	11,396
C. Mosinee	Marathon	5.65	14.8	-2.9	6,372
V. Coleman	Marinette	7.53	14.1	-7.2	2,879
C. Niagara	Marinette	10.14	26.2	-11.1	21,638
V. Brown Deer	Milwaukee	7.25	3.6	-12.3	31,551
C. Cudahy	Milwaukee	7.50	5.8	-5.2	25,610
T. Byron	Monroe	2.17	14.9	-2.4	541

<u>Municipality</u>	<u>County</u>	<u>2005(06) Municipal Tax Rate Per \$1,000*</u>	<u>Manufacturing as a Percent of 2005 Tax Base*</u>	<u>2005 to 2006 Manufacturing Value Change</u>	<u>Estimated State Aid Under Proposal</u>
T. Ridgeville	Monroe	\$4.98	<b>4.1%</b>	-4.0%	\$187
V. Lena	Oconto	5.23	29.5	-18.3	8,748
C. Oconto Falls	Oconto	7.98	7.4	-6.1	5,253
T. Seymour	Outagamie	<b>2.13</b>	<b>3.5</b>	-10.2	598
V. Fredonia	Ozaukee	5.52	8.7	-8.1	5,474
T. Plover	Portage	<b>2.41</b>	19.1	-9.3	8,517
V. Amherst Junction	Portage	<b>3.13</b>	9.8	-9.8	693
V. Whiting	Portage	<b>1.71</b>	27.6	-3.0	1,786
C. Stevens Point	Portage	8.11	6.0	-2.3	15,386
V. Union Grove	Racine	5.13	<b>3.3</b>	-7.9	3,734
C. Racine	Racine	11.52	<b>4.9</b>	-6.3	126,712
C. Evansville	Rock	6.83	5.1	-4.6	4,347
T. Cady	Saint Croix	<b>2.87</b>	5.8	-2.1	229
C. Baraboo	Sauk	8.83	<b>4.5</b>	-8.4	23,237
C. Reedsburg	Sauk	8.17	9.7	-3.9	14,940
V. Radisson	Sawyer	<b>3.65</b>	<b>4.6</b>	-2.7	33
T. Wilson	Sheboygan	<b>1.62</b>	5.7	-4.2	1,269
V. Adell	Sheboygan	6.80	6.0	-8.0	1,033
T. Jump River	Taylor	<b>1.67</b>	9.2	-9.2	247
C. Medford	Taylor	6.31	15.0	-7.3	16,373
C. Galesville	Trempealeau	7.10	7.5	-3.8	1,444
V. Ontario	Vernon	6.18	<b>3.4</b>	-40.8	974
C. Hillsboro	Vernon	8.44	8.1	-5.2	2,009
C. Elkhorn	Walworth	5.72	7.7	-3.6	9,449
T. Brookfield	Waukesha	<b>3.36</b>	5.3	-13.0	23,758
V. Big Bend	Waukesha	7.42	<b>3.6</b>	-6.9	2,196
C. Neenah	Winnebago	8.11	12.3	-3.6	60,633
T. Auburndale	Wood	<b>1.89</b>	<b>4.2</b>	-2.5	85
T. Remington	Wood	<b>2.12</b>	29.5	-5.2	1,008
V. Biron	Wood	8.12	49.2	-13.4	45,279
V. Port Edwards	Wood	9.52	33.3	-2.4	7,840
V. Vesper	Wood	<b>4.66</b>	21.5	-16.4	4,049
C. Marshfield	Wood	9.58	<b>4.8</b>	-8.8	47,542
C. Wisconsin Rapids	Wood	10.57	16.2	-13.5	<u>210,463</u>
Statewide Average or Total		\$4.87	3.2%	2.0%	\$1,334,625

\* Amounts in bold indicate this municipality would not qualify for state aid if the tax rate qualifier is raised to the statewide average municipal tax rate or if the manufacturing tax base qualifier is raised to 5.0% of the municipality's total tax base.



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRBb0535/1

JK:.....

lmk

LFB:.....Olin (FA) - Municipal aid for loss of manufacturing tax base

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

SENATE AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO 2007 SENATE BILL 40

in 6-22-07

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 1. Page 394, line 25: delete “and 79.043” and substitute “79.043, and 79.044”.
- 3 2. Page 1183, line 15: on lines 15 and 20, after “79.04,” insert “79.044,”.
- 4 3. Page 1183, line 21: after that line insert:
- 5 “SECTION 2504d. 79.02 (3) (a) of the statutes is amended to read:
- 6 79.02 (3) (a) Subject to s. 59.605 (4), payments to each municipality and county
- 7 in November shall equal that municipality’s or county’s entitlement under ss. 79.03,
- 8 79.035, 79.04, 79.044, 79.05, 79.058, and 79.06 for the current year, minus the
- 9 amount distributed to the municipality or county in July.”

1           **4.** Page 1184, line 8: after “(e)” insert “and 79.044 (3)”. ✓

2           **5.** Page 1184, line 18: after “2008” insert “, not including the reductions  
3           calculated under s. 79.044 (3)”. ✓

4           **6.** Page 1184, line 18: after that line insert: ✓

5           “**SECTION 2507d.** 79.044 of the statutes is created to read:

6           **79.044 Municipal aid for loss of manufacturing tax base. (1)** A  
7           municipality is eligible to receive a payment under sub. (2) if all of the following  
8           apply:

9           (a) The value of taxable manufacturing personal and real property in the  
10          municipality represents at least 3.2 percent of the municipality’s total equalized  
11          value in 2005. ✓

12          (b) The value of taxable manufacturing personal and real property in the  
13          municipality declined by at least 2 percent from 2005 to 2006. ✓

14          (c) The municipality had a 2005 full value tax rate for municipal purposes of  
15          at least one mill. ✓

16          **(2)** In 2008, each eligible municipality under sub. (1) shall receive from the  
17          municipal aid account a payment determined as follows:

18          (a) Subtract the combined value of taxable manufacturing personal and real  
19          property in the municipality in 2006 from the combined value of taxable  
20          manufacturing personal and real property in the municipality in 2005. ✓

21          (b) Multiply the amount determined under par. (a) by the municipality’s 2005  
22          full value tax rate for municipal purposes. ✓

23          **(3)** In order to make the payments under sub. (2), the department of revenue  
24          shall reduce the payment under s. 79.043 in 2008 to each municipality by a uniform

1 percentage that the department calculates by dividing the sum of all payments under  
2 sub. (2) by the total amount of the distribution to all municipalities in 2008 under s.  
3 79.043.” ✓

4 (END)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRBb0535/1

JK:lmk:rs

*in  
states  
R. M. Roth*

LFB:.....Olin (FA) - Municipal aid for loss of manufacturing tax base

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

**SENATE AMENDMENT ,**

**TO SENATE SUBSTITUTE AMENDMENT 1,**

**TO 2007 SENATE BILL 40**

*6-25-07*

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 **1.** Page 394, line 25: delete "and 79.043" and substitute "79.043, and 79.044".
- 3 **2.** Page 1183, line 15: on lines 15 and 20, after "79.04," insert "79.044,".
- 4 **3.** Page 1183, line 21: after that line insert:
- 5 "SECTION 2504d. 79.02 (3) (a) of the statutes is amended to read:
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- 9 amount distributed to the municipality or county in July."
- 10 **4.** Page 1184, line 8: after "(e)" insert "and 79.044 (3)".

1           **5.** Page 1184, line 18: after "2008" insert ", not including the reductions  
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6           municipality is eligible to receive a payment under sub. (2) if all of the following  
7           apply:

8           (a) The <sup>equalized</sup>value of taxable manufacturing personal and real property in the  
9           municipality represents at least 3.2 percent of the municipality's total equalized  
10          value in 2005.

11          (b) The <sup>equalized</sup>value of taxable manufacturing personal and real property in the  
12          municipality declined by at least 2 percent from 2005 to 2006.

13          (c) The municipality had a 2005 full value tax rate for municipal purposes of  
14          at least one mill.

15          **(2)** In 2008, each eligible municipality under sub. (1) shall receive from the  
16          municipal aid account a payment determined as follows:

17          (a) Subtract the combined <sup>equalized</sup>value of taxable manufacturing personal and real  
18          property in the municipality in 2006 from the combined <sup>equalized</sup>value of taxable  
19          manufacturing personal and real property in the municipality in 2005.

20          (b) Multiply the amount determined under par. (a) by the municipality's 2005  
21          full value tax rate for municipal purposes.

22          **(3)** In order to make the payments under sub. (2), the department of revenue  
23          shall reduce the payment under s. 79.043 in 2008 to each municipality by a uniform  
24          percentage that the department calculates by dividing the sum of all payments under

1 sub. (2) by the total amount of the distribution to all municipalities in 2008 under s.  
2 79.043.”.

3 (END)





State of Wisconsin  
2007 - 2008 LEGISLATURE

LRBb0535/2  
JK:lmk:nwn

LFB:.....Olin (FA) – Municipal aid for loss of manufacturing tax base

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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TO SENATE SUBSTITUTE AMENDMENT 1,  
TO 2007 SENATE BILL 40**

1 At the locations indicated, amend the substitute amendment as follows:

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8 79.035, 79.04, 79.044, 79.05, 79.058, and 79.06 for the current year, minus the  
9 amount distributed to the municipality or county in July.”.

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2           calculated under s. 79.044 (3)”.

3           **6.** Page 1184, line 18: after that line insert:

4           **“SECTION 2507d.** 79.044 of the statutes is created to read:

5           **79.044 Municipal aid for loss of manufacturing tax base.** (1) A  
6           municipality is eligible to receive a payment under sub. (2) if all of the following  
7           apply:

8           (a) The equalized value of taxable manufacturing personal and real property  
9           in the municipality represents at least 3.2 percent of the municipality’s total  
10          equalized value in 2005.

11          (b) The equalized value of taxable manufacturing personal and real property  
12          in the municipality declined by at least 2 percent from 2005 to 2006.

13          (c) The municipality had a 2005 full value tax rate for municipal purposes of  
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24          percentage that the department calculates by dividing the sum of all payments under

3 (END)